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C O N F I D E N T I A L SECTION 01 OF 03 ATHENS 000061

SIPDIS

AMEMBASSY ANKARA PASS TO AMCONSUL ADANA
AMEMBASSY ASTANA PASS TO AMCONSUL ALMATY
AMEMBASSY BERLIN PASS TO AMCONSUL DUSSELDORF
AMEMBASSY BERLIN PASS TO AMCONSUL LEIPZIG
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG
AMEMBASSY ATHENS PASS TO AMCONSUL THESSALONIKI
AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG

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SUBJECT: Scen setter for Alt/FM Droutsas' visit to Washington

REF: 09 ATHENS 1657

CLASSIFIED BY: Daniel V. Speckhard, Ambassador, State, EXEC; REASON:
1.4(B), (D)

¶1. (C) Alternate Foreign Minister Dimitris Droutsas travels February 2 to the much anticipated first meeting of the new GoG with senior USG officials in Washington. We have had signals from within the MFA that PM Papandreou will soon step aside as foreign minister, permitting Droutsas to take over so the PM can focus on Greece's economic straits. Papandreou's center-left PASOK government inherited an economy in dire condition because of a GoG failure over decades to adopt needed reforms, a bloated public sector, and chronic mismanagement -- a situation exacerbated by the global financial crisis. The steps needed to remedy the situation will be politically difficult and could restrict Papandreou's ability to make bold foreign policy moves on controversial issues, including the Macedonia name dispute, Cyprus, and increasing Greece's contributions in Afghanistan. Having said that, we need Greece to make courageous moves now -- with a tight timeline for Cyprus and a window now open for progress on Macedonia's Euro-Atlantic aspirations and progress on Greece-Turkey relations in the Aegean.

Economic Context/Constraints

¶2. (SBU) The GoG estimates that the economy shrank almost 1.5 percent in 2009 and analysts predict that it will shrink again 0.5 to 1.5 percent in 2010. Greece is under immediate pressure from EU partners (who are holding Greece's feet to the fire, threatening sanctions and firmly stating there will be no bail-out), capital markets (who are driving up Greece's borrowing costs), and ratings agencies (all of which have cut Greece's ratings to the lowest in the EMU and are threatening additional downgrades) to implement reforms. The PASOK government has developed a new three-year plan (an updated Stability and Growth Plan) to take very unpopular actions, including liberalizing highly protected labor and product markets, restructuring an almost-bankrupt social security system, improving tax collection, and cutting spending.

¶3. (SBU) The GoG will need to stand firm against opposition -- from within the center-left GoG and from those affected most by the measures to be successful on the economic front. Opposition New Democracy leader Antonis Samaras has pledged to support tough reforms. The GoG will need to make the case to the Greek electorate that there is no other choice for the future of the country in order to keep the lid on fomenting civil disorder. Although we do not foresee a near-term electoral challenge from the still-rebuilding New Democracy Party, these economic and budget realities have raised the pressure on the four month-old GoG and offer great temptations for the opposition to raise the heat,

despite their promises, in a way that hinders the government's ability to push through reforms.

Key Bilateral Issues

14. (C) On Macedonia's name, after launching an intermittent direct dialogue, and publicly promoting its "Agenda 2014" to bring all the Western Balkans into the EU with a target date of 2014, we have perceived a more cautious public line. PM Papandreou reportedly said at the Council of Europe January 26 that "now is the time to move forward" on the issue, while implying that the Greek red line of "erga omnes" use of a compound name meant using it even internally in Macedonia, echoing a theme we have heard from Droutsas himself. Privately, Papandreou has referred to "erga omnes internationally" and we should use the meetings in Washington to reconfirm that this flexibility remains. We also consistently hear skepticism from the GoG of Skopje's interest in moving forward quickly, even as we see reports from north of the border about Macedonian concern that Greece is not interested in moving. Droutsas' Washington meetings will be a good opportunity to press him directly on the need to build momentum towards a solution, as conditions do not appear to be improving. Whatever he says publicly, he should hear the clear message from us that the USG's core interest is in completing the Euro-Atlantic integration of the former Yugoslav states, and ensure that there is no backsliding in the PM's position in the face of troubles on the domestic front.

15. (C) Turkey: PM Papandreou sent his reply on January 25 to Erdogan's October note, which reportedly looked forward to

ATHENS 00000061 002 OF 003

improving relations. Droutsas met FM Davutoglu on the margins of the London Conference, and PM Papandreou and PM Erdogan may interact on the margins of Davos. We should gauge Droutsas' views on the way ahead with Turkey in the Aegean, and encourage him to continue the momentum.

16. (C) Cyprus: Droutsas is well informed on Cyprus developments, having had the lead on the issue for Papandreou in the latter's 1999-2004 Foreign Ministry. Notwithstanding progress in the bilateral leaders' talks, we continue to hear in Athens that Turkey is the key to unblocking progress. Our MFA counterparts downplay the likely setbacks presented by Talat losing in the "TRNC" elections. Droutsas should be pressed, as Greece remains an interested party, to play a positive, and public, role in supporting the two leaders.

17. (C) ISAF: Greece has resisted calls to provide more forces to ISAF than their current engineering battalion in Kabul, proposed staffing of Kabul airport, monetary support for Allied PRTs, 3 million euro pledge to the ANA trust fund, and cumulative 60 million euro funding of development aid. They are presently looking at ways to enable their existing engineering battalion in Kabul to engage in NTM-A training, and whether they can send 3 trainers to EUPOL. High-level encouragement to stay engaged on Afghanistan, and to look at ways to enhance Afghan army and police training will help keep them focused on doing more, in a manner that can leverage their resource and political limitations, and help enhance Afghan ownership. Droutsas may ask for further support to find and release Athanasios Lerounis, a Greek NGO employee who was kidnapped in Western Pakistan in early September last year and presumably moved into Afghanistan.

Counter-Terrorism

18. (C) Droutsas is certain to ask when Visa Waiver will become a reality. The new Greek government has placed a priority on defeating domestic terrorist groups such as Revolutionary Struggle and Sect of Revolutionaries, which have sharply increased the frequency and scale of their attacks on Greek police, financial institutions, and other targets in the year following the December

2008 riots. The groups remain a threat to the U.S. as well, as evidenced by Revolutionary Struggle's RPG attack on the U.S. Embassy in January 2007. At the same time, Greece is the primary entry point into the EU for illegal aliens, many of whom originate in conflict zones in the Middle East and enter Greece after transiting Turkey and include SIAs. There is a danger of international terrorists entering Greece and using it as a planning base. We have a relatively good record of counterterrorism cooperation with a succession of Greek governments, although we have had to keep this cooperation low-key because of the domestic political environment. You will recall signing two agreements on criminal and counterterrorism data sharing with then-Foreign Minister Bakoyannis in Corfu in June 2009, to meet the requirements for Greece to enter the Visa Waiver Program. Both major parties approved ratification in the subsequent Parliament vote, despite criticism from smaller parties.

Human Rights/Migration:

¶9. (C) Greece faces significant challenges from the huge influx of illegal migrants (140,000 detained in 2008, 120,000 in 2009). While most of these immigrants are Albanian, a large number come from South Asia, Africa and the Middle East, entering Greece from Turkish waters. This has become a major sticking point in Greece-Turkey relations. The GoG, facing limited resources, has sought to "Europeanize" the issue. It has raised the profile of migration at the European Council and has support from the Spanish Presidency to open a regional office of FRONTEX. Domestically, the GoG has reorganized its security agencies, creating a new Ministry of Citizens' Protection which looks something like our Department of Homeland Security. Its challenge will be to bring about better interagency cooperation..

¶10. (U) Chania Synagogue Attacks. The only synagogue in Crete

ATHENS 00000061 003 OF 003

suffered two arson attacks in January and was severely damaged, the latest in a series of anti-Semitic incidents. You will want to express appreciation for the government's condemnation of the attacks and urge them to continue to do all they can to combat anti-Semitism. Four suspects were arrested, including one American.
Speckhard